Saskatchewan
Finance

Annual Report 2003-2004

Saskatchewan Public Employees Pension Plan

TABLE OF CONTENTS

Letters of Transmittal 2

Introduction 4

Public Employees Pension Board 4

Overview 4

Investment of Funds 4

Allocation of Investment Earnings 5

Membership Status 5

Administration of the Plan 5

Investments 6

Management's Report 7

Financial Statements

- Auditors' Report 10
- Statement of Net Assets Available for Benefits 11
- Statement of Changes in Net Assets Available for Benefits 12
- Notes to the Financial Statements 13

Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the twenty-seventh Annual Report of the Public Employees Pension Plan for the fiscal year ending March 31, 2004.

I have the honour to be, Madam,

Your obedient servant,

Harry Van Mulligen
Minister in Charge
Public Employees Pension Plan

Saskatchewan
Public Employees
Benefits Agency

The Honourable Harry Van Mulligen
Minister in Charge
Public Employees Pension Plan
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Pension Board of the Public Employees Pension Plan, I have the honour to present herewith the twenty-seventh Annual Report of the Public Employees Pension Plan for the fiscal year ended March 31, 2004.

Respectfully submitted,

Pension Board
Public Employees Pension Plan

Brian Smith
Chairman

Public Employees Pension Plan

Introduction

The Public Employees Pension Plan is governed by *The Public Employees Pension Plan Act.* That Act establishes the Public Employees Pension Board as Trustee.

Public Employees Pension Board

Chairman
Brian Smith
Public Employees Benefits Agency

Representing Employers
Jim Graham
Saskatchewan Finance

Denise Macza
Saskatchewan Finance

Grant Ring
Saskatchewan Power

Representing Employees
Robert Bender
Communications Energy and Paperworkers Union (CEP)

Kirby Sanden
International Brotherhood of Electrical Workers (BEW)

Dan MacKay
Saskatchewan Government Employees' Union (SGEU)

Overview

The Public Employees Pension Plan is a defined contribution pension plan.

The Plan is comprised of the Balanced Fund and the Short-Term Bond Fund. Members may invest in one or both. Transfers are allowed between Funds.

The Balanced Fund holds bonds, equities, real estate, mortgages and short-term investments.

The Balanced Fund's mandate is to provide long-term capital appreciation for members. Allocation of income is based on the market value of the fund.

The Short-Term Bond Fund holds short-term bonds and is intended for those members who wish to protect themselves from the volatility of the equity investment markets. Allocation of income is based on the market value of the fund.

Investment of Funds

The Public Employees Pension Plan Board (Pension Board) is responsible for holding in trust and investing the monies of the Plan. The Pension Board has retained Greystone Capital Management Inc., Templeton Management Ltd., TD Quantitative Capital Inc., AMI Partners Inc., and Northwater Capital Management as investment managers.

As at March 31, 2004 the mandate for each money manager was:

Greystone Capital Mgmt.	Specialty manager
TD Quantitative Capital Inc.	Canadian bonds, US & Canadian equity indexes
Templeton Management Ltd.	Speciality Non-North American
AMI Partners Inc.	Small cap Canadian equity
Northwater Capital Mgmt.	Mid cap US equity index

As at March 31, 2004 the investment managers invested the following portions of the portfolio:

BALANCED FUND

	$ 000	%
Greystone Capital Mgmt.	1,129,336	37.57
TD Quantitative Capital Inc.	1,021,288	33.98
Templeton Mgmt Ltd.	513,328	17.08
AMI Partners Inc.	179,188	5.96
Northwater Capital Management	162,583	5.41
	3,005,723	100.00

SHORT-TERM BOND FUND

	$ 000	%
Greystone Capital Mgmt.	55,016	100.00

For the year ended March 31, 2004, the following fees were paid to the investment managers:

Balanced Fund:

Greystone Capital Mgmt.	$1,539,151
TD Quantitative Capital Inc.	242,172
Templeton Mgmt. Ltd.	1,904,371
AMI Partners Inc.	630,032
Northwater Capital Management	1,077,712
	$5,393,438

Short-Term Bond Fund:	
Greystone Capital Mgmt.	$40,531

The investment managers make the day-to-day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Pension Board. It is these long-term investment performance objectives that the Pension Board uses to assess the performance of the investment managers.

The primary long-term investment performance objective for the combined portfolio is to out perform a benchmark portfolio constructed as follows:

BALANCED FUND

Asset Class	Market Index	Weight
Canadian Equities	S&P/TSX Composite Index	20%
US Equities	Standard & Poors 500 Index	20%
Non-North Amer.	Morgan Stanley, Europe, Australia and Far East Index	20%
Real Estate	Investment Property Databank Index	5%
Bonds	SC Universe Bond Index	35%
		100%

SHORT-TERM BOND FUND

Asset Class	Market Index	Weight
Bonds	Scotia Capital (All Gov't) Short Term Bond Index	100%

The Pension Board reviews the investment performance of the Funds in terms of the performance of the benchmark portfolio over rolling four-year periods. The performance history of the Funds as of March 31, 2004 has been:

	1-Year Return	Rolling 4 Year Average
Balanced Fund		
Fund's Return	25.30%	4.10%
Benchmark Return	26.20%	2.00%
Short-Term Bond Fund		
Fund's Return	7.80%	7.10%
Benchmark Return	7.90%	7.30%

The Pension Board has retained Royal Trust as the custodian of the Plan. The custodian is responsible for custody of all financial assets of the Plan (in the name of the Public Employees Pension Plan). The custodian settles all investment transactions. The custodian also ensures that investment income (ie. dividends, interest) is collected and provides financial statements for all investment transactions.

The Pension Board engages the services of an asset consultant to provide advice on the overall management of the Plan's investments and on the measurement of the Plan's performance. James P. Marshall, Inc. provides this service to the Pension Board.

Allocation of Investment Earnings

Investment earnings are allocated to member accounts on a monthly basis. Contributions received during the month are allocated investment income on a time-weighted basis.

Member funds paid out of the Plan (ie. termination, death, retirement or reciprocal transfer) or transferred between PEPP investment funds during the month are allocated investment earnings, based on the month-to-date rate of return.

Membership Status

Membership at March 31, 2003		40,046
Add:		
Enrollments during the year	2,225	
Reciprocal transfers in	27	2,252
Less:		
Terminations refunded	653	
Death benefits paid	51	
Reciprocal transfers out	19	
Retirement annuities	108	
Lump sum payments on Retirement	132	
Transfers to locked-in RRSP's	538	
Transfers to Insurance Co's	1	
Transfers to LIF	-	
Transfers to LRIF	52	1,554
Membership at March 31, 2004		40,744

As at March 31, 2004, 1,112 (2003–906) persons held funds in the Short-Term Bond Fund.

Administration of the Plan

The Pension Board retains the Public Employees Benefits Agency, Saskatchewan Finance to provide the day-to-day administration of the Plan.

The annual operating expenditures associated with the Plan's administration are paid by the Public Employees Benefits Agency Revolving Fund and are charged to the Plan.

INVESTMENTS

In 2003-2004, the assets of the Public Employees Pension Plan were invested by Greystone Capital Management Inc., Templeton Management Ltd., TD Quantitative Capital Ltd., AMI Partners Inc., and Northwater Capital Management. The investment portfolio at March 31, 2004 contained the following assets:

BALANCED FUND

Type of Investment		Dollars of Investment at Market Value	Percentage of Investment Type in Fund
Corporate Bonds	$ 87,319,504		
Government of Saskatchewan Bonds	7,355,580		
Government of Canada Bonds	244,735,112		
Other Provincial Bonds	91,363,591		
Municipal Bonds	2,022,395		
Total Bonds:		$ 432,796,182	14.40%
Short-term Investments		28,709,978	0.96%
Canadian Equities		467,604,823	15.56%
U.S. Equities		636,531,462	21.17%
Pooled Funds			
Fixed Income Funds	640,386,826		
Greystone - AFE Plus Fund	135,224,175		
Emerald Cdn TSE 300 Eq Index	124,010,922		
Emerald US Equity Fund	256,890,309		
Newcastle Derivatives Mid Cap	162,583,133	1,319,095,365	43.89%
Mortgages		1,198,486	0.04%
Real Estate		119,786,548	3.98%
Total Investments:		$3,005,722,844	100.00%

A detailed listing of each investment as at March 31, 2004 is available upon request.

SHORT-TERM BOND FUND

Type of Investment		Dollars of Investment at Market Value	Percentage of Investment Type in Fund
Government of Saskatchewan Bonds	$ 5,082,021		
Government of Canada Bonds	31,772,213		
Other Provincial Bonds	18,072,170		
Total Bonds:		$54,926,404	99.84%
Short Term Investments		89,809	0.16%
Total Investments:		$55,016,213	100.00%

A detailed listing of each investment as at March 31, 2004 is available upon request.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly Province of Saskatchewan

The Public Employees (Government Contributory) Superannuation Plan Supervisory Board consists of seven appointments made by the Lieutenant Governor in Council. Effective July 1, 1997 the Board continues as The Public Employees Pension Board (Pension Board). The Pension Board is comprised of a Chairman nominated by the Minister, three members representing the employees and three members representing the employers. The Pension Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements, which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been approved by the Pension Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements have been examined by Meyers Norris Penny whose report follows.

Brian Smith
Executive Director
Public Employees Benefits Agency

A. Mackrill

Ann Mackrill
Director, Pension Programs
Public Employees Benefits Agency

K Morgan

Kathy Morgan
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
May 14, 2004

PUBLIC EMPLOYEES PENSION PLAN

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2004

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Public Employees Pension Plan as at March 31, 2004 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Employees Pension Plan as at March 31, 2004 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements, as at and for the year ended March 31, 2003, were audited by other auditors who expressed an opinion without reservation on these statements in their report dated May 13, 2003.

Meyers Norris Penny LLP

Regina, Saskatchewan
May 14, 2004

Chartered Accountants

PUBLIC EMPLOYEES PENSION PLAN **STATEMENT 1**
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT MARCH 31

(thousands of dollars)

	2004			2003
	Balanced Fund	Short-Term Bond Fund	Total	Total
ASSETS				
Investments (Note 4)				
Short-term	$ 28,710	$ 90	$ 28,800	$ 17,113
Bonds and debentures	432,796	54,926	487,722	396,302
Equities	1,104,136	-	1,104,136	746,264
Pooled funds	1,319,095	-	1,319,095	1,156,357
Mortgages	1,198	-	1,198	1,931
Real estate	119,788	-	119,788	88,851
	3,005,723	55,016	3,060,739	2,406,818
Receivables				
Contributions receivable - employee	1,859	-	1,859	1,815
Contributions receivable - employer	1,867	-	1,867	1,815
Accrued investment income	5,597	527	6,124	5,838
Inter-fund receivables	3,138	-	3,138	388
Other accounts receivable	666	-	666	-
	13,127	527	13,654	9,856
Cash	818	1,302	2,120	2,001
Due from General Revenue Fund (Note 7)	837	163	1,000	2,295
Total assets	3,020,505	57,008	3,077,513	2,420,970
LIABILITIES				
Bank indebtedness	-	-	-	1,128
Administrative expenses payable	1,172	10	1,182	1,517
Refunds, transfers and other payables	915	-	915	146
Inter-fund payables	-	3,138	3,138	388
Total liabilities	2,087	3,148	5,235	3,179
NET ASSETS AVAILABLE FOR BENEFITS	$3,018,418	$53,860	$3,072,278	$2,417,791

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES PENSION PLAN **STATEMENT 2**
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED MARCH 31

(thousands of dollars)

	2004			2003
	Balanced Fund	Short-Term Bond Fund	Total	Total
INCREASE IN ASSETS				
Investment income				
Interest	$ 21,322	$ 2,765	$ 24,087	$ 20,576
Pooled funds	67,245	-	67,245	45,852
Dividends	19,502	-	19,502	15,409
Mortgages	139	-	139	176
Real estate	7,036	-	7,036	7,132
Other	724	9	733	293
	115,968	2,774	118,742	89,438
Increase (decrease) in market value of investments	487,020	1,170	488,190	(390,537)
Contributions				
Employees	62,824	931	63,755	60,033
Employers	68,098	931	69,029	63,081
Interfund transfers	26,260	36,474	62,734	23,452
Reciprocal transfers in	1,755	2,794	4,549	2,218
Transfer from MLA Plan (Note 3)	-	-	-	16,995
	158,937	41,130	200,067	165,779
Total increase in assets	761,925	45,074	806,999	(135,320)
DECREASE IN ASSETS				
Transfers, refunds and benefit payments (Note 6)	61,071	8,264	69,335	63,411
Transfer to Saskatchewan Pension Annuity Fund				
Contributions	10,130	789	10,919	13,961
Interest	1,308	24	1,332	(740)
Interfund transfers	36,474	26,260	62,734	23,452
Administrative expenses (Note 8)	8,090	102	8,192	5,921
Total decrease in assets	117,073	35,439	152,512	106,005
Increase (decrease) in net assets	644,852	9,635	654,487	(241,325)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	2,373,566	44,225	2,417,791	2,659,116
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$3,018,418	$53,860	$3,072,278	$2,417,791

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2004

1. Description of Plan

The following description of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the Plan text.

a) **General**

The *Public Employees Pension Plan Act* (the Act) is the legislative authority for the Public Employees Pension Plan (the Plan), which is a defined contribution plan that covers the employees of a number of government entities. Effective September 1, 2002, the Plan also covers the Members of the Legislative Assembly.

The Act established the Public Employees Pension Plan to accumulate all contributions and earnings for plan members. The Public Employees Pension Plan consists of two funds: the Balanced Fund and the Short-Term Bond Fund.

The Balanced Fund receives and holds, in trust for members, contributions received from the members and employers (participants) and investment income derived from the Fund's investments.

The Balanced Fund holds bonds, equities, real estate, mortgages, pooled funds and short-term investments. The Balanced Fund's mandate is to provide long-term capital appreciation for members. Allocation of income is based on the market value of the Fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

The Short-Term Bond Fund receives and holds, in trust for members, contributions received from the member and their employer as well as investment income derived from the Fund's investments.

The Short-Term Bond Fund is available to all members and holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the Short-Term Bond Fund is at the discretion of the member. Allocation of income is based on the market value of the Fund. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

b) **Administration**

The Act established the Public Employees Pension Board (Pension Board) to administer the Plan. The Pension Board is comprised of seven members appointed by Cabinet. The Public Employees Benefits Agency provides day-to-day administration.

c) **Retirement**

Members may retire as early as age 50, or after 35 years of service regardless of age.

Upon retirement an employee may purchase an annuity from the Pension Board pursuant to Section 20 of the Act, or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 69, be transferred to a Locked-in Retirement Account or, after age 50, to a Locked-in Retirement Income Fund, Life Income Fund or a Life Annuity from the Saskatchewan Pension Annuity Fund, or be transferred to another pension plan which has a reciprocal agreement with the Plan.

Members who purchase their annuities from the Pension Board have their accumulated balance in the Plan at the date of retirement transferred to the Saskatchewan Pension Annuity Fund.

d) **Completeness of Contributions**

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year-end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year-end bid and ask prices. Transactions in bonds and equities are recorded as of the trade date.

Short-term investments are recorded at cost, which approximates market value.

Real estate is recorded at market value as estimated by independent appraisals.

Mortgages are recorded at market value calculated by discounting the present value of all income streams accruing to the mortgage. The discount rate applied to these income streams reflects the current market rate for comparable mortgages of a comparable term.

Pooled funds are recorded at market value based on the quoted market price of the underlying investments normally the current bid price.

The change in market value of investments during the year is reflected on the financial statements as a current period change in the market value of investments.

Fair value approximates market value of investments.

Foreign Currency Translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at year-end. Investments, revenue and expense items are translated at the exchange rate in effect at the transaction date. Gains and losses arising on translation are included in the current period change in market value of the investments.

3. Transfer from MLA Plan

Effective September 1, 2002, The Members of the Legislative Assembly Superannuation Plan (the "MLA Plan") was disestablished and the net assets totaling $16,995,000, representing accumulated amounts due to the MLA Plan members at that time, were transferred from the MLA Plan.

4. Investments

The Plan is a defined contribution plan whereby members bear the investment risk and reap the rewards of actual investment performance as there is no guarantee of pension benefits. The Plan is comprised of two funds: the Balanced Fund and the Short-Term Bond Fund. The Balanced Fund is designed for members whose primary objective is capital growth. The Short-Term Bond Fund is designed for members who wish to reduce their equity exposure as retirement approaches in order to preserve capital. These members have a low risk tolerance. As the primary objective of the Short-Term Bond Fund is capital preservation, its orientation is towards fixed income investments with a term to maturity of five years or less.

The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as Canadian equities, pooled funds, money market securities, and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's net assets and interest income. This risk arises from differences in the time and amount of cash flows related to the Plan's assets and liabilities. Interest rate risk is managed by investing in fixed income investments with varying duration.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

b) Credit Risk

Credit risk arises from the potential for counterparties to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Standard & Poors Bond Rating Service and/or Moody's Bond Rating Service.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the value of investments. The Plan manages its foreign currency risk by limiting the investment in foreign funds.

d) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Board's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Objectives.

e) **Real Estate Risk**

Risk in the real estate portfolio is managed through diversification across real estate types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size.

Short-term Investments

Short-term investments are comprised of treasury bills, notes and commercial paper with effective rates of 1.00% to 2.30% in the Balanced Fund (2003 - 1.00% to 3.30%), and 2.00% in the Short-Term Bond Fund (2003 - 2.90%) and an average remaining term to maturity of 37 days in the Balanced Fund (2003 - 31 days) and 22 days in the Short-Term Bond Fund (2003 - 10 days).

The Plan's investment policy states that investments must meet a minimum investment standard of "R1" or equivalent rating by a recognized credit rating service.

Other than the Government of Canada, no single issue represents more than 24.92% (2003 - 16.35%) of the market value of the short-term investment portfolio.

Bonds and Debentures

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 15% of the market value of the total portfolio may be invested in BBB rated bonds. At March 31, 2004 the Balanced Fund held 0.20% (2003 - 0.50%) of its portfolio in BBB bonds. At March 31, 2004 the Short Term Bond Fund held 0.00% (2003 – 0.00%) of its portfolio in BBB bonds.

BALANCED FUND

(in thousands of dollars)

	2004							2003		
Years to Maturity	Federal	Provincial	Corporate	Municipal	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	177,395	19,947	36,595	-	233,937	2.04%	2.96-9.00	169,513	4.61%	3.50-9.00
5 – 10	11,329	40,089	17,688	-	69,106	0.85%	4.54-10.00	67,950	5.86%	5.15-7.40
Over 10	56,011	38,683	33,037	2,022	129,753	1.64%	5.25-8.29	117,765	5.67%	5.25-7.60
Market Value	244,735	98,719	87,320	2,022	432,796			355,228		

SHORT-TERM BOND FUND

(in thousands of dollars)

	2004					2003		
Years to Maturity	Federal	Provincial	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	31,772	23,154	54,926	4.90%	3.00-7.75	41,074	5.80%	3.50-9.00

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation. Foreign equities represent 57.65% (2003 - 53.10%) of the market value of the equity portfolio. All foreign equities are denominated in Canadian dollars. Dividends are generally declared on an annual basis. The Plan's equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 1.76% (2003 - 2.06%).

Foreign equities including foreign pooled funds, but excluding synthetic pooled funds, are limited to 30% of the cost of the investment portfolio and are denominated in Canadian dollars. 25.26% (2003 – 24.64%) of the cost of the Plan's investment portfolio was held in foreign equities including foreign pooled funds.

Pooled Funds

For liquidity reasons, the investment policy limits pooled fund holdings to not more than 10% of the market value of the individual pooled fund. Exceptions to the 10% limit are allowed if provision has been made to transfer securities in kind out of the pooled fund when assets are transferred out of the pooled fund. The Plan limits its investments in synthetic pooled funds to 13% of the market value of its investment portfolio for the U.S. Equity Index fund and 7% of the market value of its investment portfolio for the U.S. Equity Mid Cap Index fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

The Plan's pooled funds are comprised of:

	Units Held		% of Total Units Outstanding		Market Value	
	2004	2003	2004	2003	2004	2003
	(000's)				(000's)	
Canadian Equity						
Emerald Cdn Equity TSE 300	11,884	11,499	13.72	10.03	$ 124,011	$ 89,204
Newcastle Derivative Enhanced Mid Cap Fund	1,535	1,261	100.00	100.00	162,583	105,704
Greystone Canadian Equity Fund	-	22,282	-	1.38	-	3,890
Global Equity						
Greystone EAFE Plus Fund	14,633	14,437	12.01	11.69	135,224	100,406
Greystone US Equity Fund	-	203,549	-	4.98	-	1,790
Fixed Income Funds						
Emerald Bond Fund	52,578	54,405	10.78	10.28	640,387	633,764
Greystone Fixed Income Fund	-	722	-	4.84	-	7,188
Other Canadian						
Greystone Money Market Fund	-	92	-	1.66	-	920
Emerald Synthetic US Equity Fund	21,110	21,118	29.61	33.50	256,890	213,491
					$1,319,095	$1,156,357

Newcastle Derivative Enhanced Mid Cap Fund combines U.S. S&P 400 stock index futures with Canadian money market instruments to create a synthetic U.S. equity investment, hedged into Canadian dollars. The Emerald Synthetic U.S. Equity Fund also uses U.S. S&P 500 stock index futures combined with Canadian money market instruments to create a synthetic U.S. equity investment.

Mortgages

All mortgages are secured by Canadian commercial properties and have effective and stated interest rates of 5.50% to 9.75% (2003 - 7.70% to 9.75%) with an average remaining term of 4.11 years (2003 - 5.42 years). Principal and interest are receivable on a monthly basis.

Real Estate

Investments in real estate consist of Canadian commercial property.

Included in real estate are investments of $3,594,486 (2003 - $3,822,943) in SaskPen Properties Ltd. Income received from SaskPen Properties is $329,348 (2003 - $313,477). SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension plans in the Province of Saskatchewan.

5. Earnings Allocation to Members

Investment income plus the current year's allocation of the change in the market values of investments less administrative expenses is allocated annually to the individual member's account balances in accordance with the provisions of the governing legislation. In 2004, an interest rate of 24.84% for the Balanced Fund (2003 – negative 11.62%) and 8.18% for the Short-Term Bond Fund (2003 - 5.50%) was approved by the Administration for the Plan.

6. Transfers, Refunds and Benefit Payments

	(in thousands of dollars) 2004	2003
Termination refunds	$ 905	$ 872
Death and lump sum benefits	4,884	4,590
Marital transfers	2,837	2,841
Transfers to registered retirement savings plans and to private companies providing annuities	59,237	51,328
Transfers out	1,472	3,780
	$69,335	$63,411

7. Due from General Revenue Fund

The Plan's bank accounts are included in the Consolidation Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's thirty day borrowing rate and the Plan's average bank account balance. The Government's average 30 day borrowing rate in 2004 was 2.79% (2003 - 2.62%).

8. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly.

	(in thousands of dollars)			
	2004		2003	
	Budget	Actual	Budget	Actual
	(unaudited)		(unaudited)	
Administration costs	$4,037	$2,418	$2,061	$1,867
Custodial fees	432	339	424	412
Investment management fees	3,895	5,435	3,819	3,642
	$8,364	$8,192	$6,304	$5,921

9. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government. Also, the plan is related to non-crown enterprises that the Government jointly owns or significantly influences. Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $12,437,600 (2003 - $9,895,014) Province of Saskatchewan Bonds and Debentures with a yield of 5.40% (2003 - 5.70%). Investment income of $703,169 (2003 - $479,830) was recorded from the Province of Saskatchewan Bonds and Debentures.

The Plan has an accounts payable balance as at March 31, 2004 of $155,587 (2003 - $249,396) due to the Public Employees Benefits Agency Revolving Fund.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled at agreed upon exchange rates.

10. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Pension Board. The Pension Board reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over four year rolling periods. The primary long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Balanced Fund's investment performance:

	Rolling Four Year Average Annual Return Fund	
	2004	2003
Plan's actual rate of return (a)	4.10%	1.98%
Target rate of return (b)	2.00%	0.08%

(a) The Fund's actual rate of return is before deducting investment expenses.

(b) The Fund's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Nesbitt Burns Small Capitalization Canadian Stock Index, Standard & Poor's 500 US Stock Index, Standard and Poor's 400 Mid Capitalization

U.S. Stock Index, Morgan Stanley, Europe, Australia and Far East Index, Scotia Capital Universe Bond Index, 91 Day Canadian Treasury Bill, and Investment Property Databank Ltd. Return Index.

The following is a summary of the Short-Term Bond Fund's investment performance:

	Rolling Four Year Average Annual Return Fund	
	2004	2003
Plan's actual rate of return (a)	7.10%	6.05%
Target rate of return (b)	7.30%	6.08%

(a) The Fund's actual rate of return is before deducting investment expenses.

(b) The Fund's target rate of return for its investment portfolio is based on the "All Governments" portion of the Scotia Capital Markets Short-term Bond Index.

11. Fair Value

For the following financial assets and liabilities the carrying amount approximates fair value due to their immediate or short-term maturity:

a) cash
b) contributions receivable
c) accrued investment income
d) due from General Revenue Fund
e) inter-fund receivable
f) bank indebtedness
g) administrative expenses payable
h) refunds, transfers and other payables
i) inter-fund payable, and
j) other accounts receivable

The fair value of investments is considered to be market value, the determination of which is disclosed in notes 2 and 4.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.